

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

FEAE-00 SEC-01 L-02 H-02 PA-02 PRS-01 USIA-15 /111 W

----- 038705

R 211354Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8838

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 04643

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MARCH 20)

REF.: BONN 4184

1. FINANCE MINISTER APEL IS SCHEDULED TO VISIT AUSTRIA
MARCH 22-24. ACCORDING TO THE PRESS APEL WILL MEET
IN VIENNA AUSTRIAN FINANCE MINISTER ANDROSCH AND SWISS
FINANCE MINISTER CHEVALLAZ TO DISCUSS THE CURRENT
ECONOMIC SITUATION AND MONETARY PROBLEMS.

2. IN ITS MARCH MONTHLY REPORT THE BUNDESBANK POINTED
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OUT THAT THE DETERIORATION OF GERMAN TERMS OF TRADE

WHICH OCCURRED AFTER THE OIL CRISIS HAS BEEN REVERSED IN THE COURSE OF 1974, AND CURRENTLY GERMAN TERMS OF TRADE HAVE ALMOST RETURNED TO THEIR LEVEL PREVAILING BEFORE THE OIL CRISIS. WITH REGARD TO ITS MONETARY RESERVES THE BUNDESBANK STATED THAT COMPARED TO LIQUID FOREIGN LIABILITIES OF GERMAN BANKS AND BUSINESS SUCH RESERVES ARE NOT AT A LEVEL WHICH WOULD ALLOW A SUBSTANTIAL REDUCTION BY FINANCIAL SUPPORT FOR FOREIGN COUNTRIES OR BY OTHER MEASURES. (RECENTLY, A NUMBER OF ECONOMIC EXPERTS AMONG THE SPD BUNDESTAG DEPUTIES HAD PROPOSED TO PARLIAMENT THAT PART OF THE BUNDESBANK'S FOREIGN EXCHANGE RESERVES SHOULD BE INVESTED AS RAW MATERIAL STOCKPILES -- SEE BONN 4184.)

3. THE ASSOCIATION FOR THE PROTECTION OF HERSTATT SAVERS IS GOING TO SUE THE FEDERAL GOVERNMENT FOR LOSSES OF HERSTATT'S PRIVATE NON-BANK DEBTORS. REPORTEDLY THE SUIT WILL MAINLY BE BASED ON THE FAILURE OF THE FEDERAL GOVERNMENT FOLLOWING THE INTRODUCTION OF THE DM FLOAT, TO LIMIT SPECULATIVE ACTIVITIES OF BANKS, AND A WEAK CONTROL OF THE HERSTATT BANK BY THE GERMAN BANKING SUPERVISORY AUTHORITY.

4. THE BUNDESTAG HAS PASSED A MINOR AMENDMENT TO THE GERMAN STOCK EXCHANGE LAW. THE AMENDMENT PROVIDES FOR WIDER ACCESS OF BROKERS TO GERMAN STOCK EXCHANGES, AND GIVES AUTHORITY TO THE FEDERAL GOVERNMENT, AFTER CONSULTING THE BUNDESBANK, TO CLOSE TEMPORARILY GERMAN FOREIGN EXCHANGE MARKETS. PREVIOUSLY THIS AUTHORITY WAS WITH THE STATE GOVERNMENTS.

5. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS	
		(DISCOUNTS IN PCT.P.A.)	
SPOT DOLLARS		ONE-MONTH	THREE-MONTH

MARCH 14	DM 2.3230	-1.6	-1.5
17	2.3205	-1.3	-1.6

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18	2.3125	-0.8	-1.4
19	2.3070	-0.5	-1.3
20	2.3142	-0.8	-1.3

WITHIN THE JOINT FLOAT THE POSITION OF THE DEUTSCHE MARK DID NOT CHANGE VERY MUCH. WITH THE EXCEPTION OF THE DANISH CROWN ALL FLOATCURRENCIES REMAINED ABOVE THEIR DEUTSCHEMARK CENTRAL RATES BUT NONE OF THESE

CURRENCIES REACHED THEIR UPPER DM INTERVENTION POINT.

6 MONEY MARKET: THE GERMAN CALL MONEY MARKET TIGHTEN-
ED SOMEWHAT DUE TO THE MAJOR MID-MARCH TAX DATE, BUT
MARKETS FOR ONE-MONTH AND THREE-MONTH MONEY EASED
FURTHER. DURING THE REPORTING WEEK FRANKFURT INTER-
BANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

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AMCONSUL FRANKFURT

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MARCH 14 4.4-4.8 5.3-5.5 5.5-5.8

17	4.4-5.0	5.0-5.5	5.4-5.7
18	4.8-5.0	5.0-5.5	5.3-5.6
19	4.8-5.0	5.0-5.5	5.3-5.6
20	4.4-4.7	5.0-5.5	5.3-5.5

7. BOND MARKET: DURING THE REPORTING WEEK THE FAZ
AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC
BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

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MARCH 14	9.12	9.13	8.78
17	9.11	9.16	8.81
18	9.12	9.17	8.88
19	9.13	9.21	8.91
20	9.16	9.22	8.91

TWO NEW FOREIGN DM LOANS ARE CURRENTLY BEING FLOATED:
A DM 100 MILLION LOAN OF THE NIPPON TELEGRAPH AND
TELEPHONE CORPORATION (COUPON 8.75 PERCENT, ISSUE PRICE
100, MATURITY 7 YEARS) AND A DM 100 MILLION LOAN OF
THE AUSTRIAN DRAU-KRAFTWERKE A.G. (COUPON 8.75 PER-
CENT, AVERAGE MATURITY 8 YEARS, ISSUE PRICE 99.50).

8. DATA ON CHANGES IN BUNDESBANK MONETARY RESERVES
AND BANK LIQUIDITY IN THE SECOND WEEK OF MARCH WERE
NOT YET AVAILABLE.
HILLENBRAND

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